

**CAMBRIDGE ELECTRIC LIGHT COMPANY
COMMONWEALTH ELECTRIC COMPANY**

Testimony of Henry C. LaMontagne

Exhibit CAM/COM-HCL

D.T.E. 00-83

1 **Q. Please state your name and business address.**

2 A. My name is Henry C. LaMontagne. My business address is 800 Boylston Street,
3 Boston, Massachusetts 02199.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am Director of Regulatory Policy and Rates for the regulated operating
6 companies of NSTAR. In this capacity, I am responsible for pricing and rate
7 design activities for Cambridge Electric Light Company (“Cambridge”) and
8 Commonwealth Electric Company (“Commonwealth”), collectively referred to
9 herein as the “Companies”, and also for Boston Edison Company and
10 Commonwealth Gas Company.

11 **Q. Please describe your education and professional background.**

12 A. I graduated from the University of Massachusetts - Dartmouth in 1968 with a
13 Bachelor of Science degree in Electrical Engineering. Upon graduation, I served
14 two years of military duty, after which I joined the Engineering Department of
15 COM/Energy Services Company (“COM/Energy”) in October 1970. In March
16 1973, I became a Rate Analyst with the Rate Department of COM/Energy where
17 my primary responsibilities were to assist in the formulation and administration of
18 gas and electric tariffs and special contracts for the operating subsidiaries of the

1 Commonwealth Energy System. Since then, I have held various positions in the
2 Rate Department progressing to Manager – Rate Design in March 1987. I held
3 that position in the Commonwealth Energy System until its merger with BEC
4 Energy was consummated in August 1999, whereupon I was named to my present
5 position.

6 **Q. Please describe your present responsibilities.**

7 A. As Director of Regulatory Policy and Rates, I am responsible for directing the
8 preparation and design of rate schedules and the pricing of special contracts for
9 the Companies. In addition, I am responsible for directing the preparation of
10 embedded and marginal cost allocation studies and other special cost studies as
11 required to support the pricing and rate design function.

12 **Q. Have you previously testified in any formal hearings before regulatory**
13 **bodies?**

14 A. Yes, I have presented testimony before the Department of Telecommunications
15 and Energy (the “Department”) and the Federal Energy Regulatory Commission
16 (“FERC”) on numerous occasions. I have most recently presented testimony
17 before the Department on behalf of the Companies in D.T.E. 99-90, the 1998
18 Transition Charge Reconciliation proceeding. I have also presented testimony on
19 behalf of Boston Edison Company in its 1998 Transition Charge Reconciliation
20 proceeding, D.T.E. 99-107. Previously, I have presented testimony for
21 Cambridge, Commonwealth and Canal Electric Company in their comprehensive
22 electric restructuring plan (the “Restructuring Plan”) proceeding, D.P.U./D.T.E.

1 97-111 (1998) and their divestiture proceeding, D.T.E. 98-78/83 (1998). Also
2 previously, I have presented testimony on behalf of Cambridge, Commonwealth
3 and Commonwealth Gas Company in rate proceedings before the Department in
4 Cambridge Electric Light Company, D.P.U. 94-101/95-36 (1995),
5 Commonwealth Gas Company, D.P.U. 95-102 (1995), and Commonwealth
6 Electric Company, D.P.U. 90-331 (1990). In addition, I have presented testimony
7 before the FERC concerning transmission service to the Town of Belmont, in
8 FERC Docket Nos. ER94-1409 and EL94-88.

9 **Q. What is the purpose of your testimony?**

10 A. My testimony will describe the proposed changes to Cambridge and
11 Commonwealth's rates resulting from reconciling their Transition Charges for the
12 year 1999. As described in the testimony of Bryant K. Robinson, the Companies'
13 generating facility divestiture and contract renegotiations have significantly
14 reduced their Transition Charges and the ultimate prices that their customers will
15 pay. My testimony will describe how the reconciled Transition Charges will be
16 implemented and what their impact will be on customers' bills. As described
17 below, the proposed changes are designed to implement the Companies'
18 requirements under the approved Restructuring Plan and meet the legislative
19 mandates under Chapter 164 of the Acts of 1997, the Electric Restructuring Act
20 (the "Act").

1 **Q. When will the proposed rate changes take effect?**

2 A. The new charges are proposed to become effective on January 1, 2001.

3 **Q. What exhibits are you sponsoring in your testimony?**

4 A. I am sponsoring Exhibits COM-HCL-1 through COM-HCL-7 and Exhibits CAM-
5 HCL-1 through CAM-HCL-7 and this testimony, Exhibit CAM/COM-HCL. The
6 sequence of exhibits and their descriptions are identical for both Commonwealth
7 and Cambridge. The following describes the Commonwealth exhibits. Exhibit
8 COM-HCL-1 is the redlined version of the proposed tariffs. Exhibit COM-HCL-2
9 sets forth summary tables of revenues by rate schedule that result from
10 implementing the proposed rate changes. Exhibit COM-HCL-3 sets forth the
11 pricing models and revenue proofs used to design the proposed rates. Exhibit
12 COM-HCL-4 demonstrates the percentage rate reduction from inflation-adjusted
13 rates at the individual bill level. Exhibit COM-HCL-5 sets forth a summary of
14 unbundled rate components in effect for each year since the Retail Access Date
15 and projected for the future. Exhibit COM-HCL-6 sets forth the derivation of the
16 inflation factor. Finally, Exhibit COM-HCL-7 sets forth typical bill calculations
17 that compare inflation-adjusted rates to proposed rates.

18 **Q. What rate changes are the Companies proposing?**

19 A. In addition to proposed changes in the Transition Charges, the Companies are
20 proposing to adjust transmission rates and rates for Energy Efficiency and
21 Renewables. Also, for each company, certain rate adjustments are made to

1 distribution rate components in order to preserve the required 15 percent reduction
2 from inflation-adjusted rates on a rate-class basis and to provide at least a 14
3 percent reduction to all customers as directed by the Department. The changes to
4 the transmission rates reflect the Companies' latest calculation of prices under
5 their FERC Transmission Tariffs as set forth in the testimony of Bryant K.
6 Robinson. The changes in the Energy Efficiency and Renewables Charges are as
7 mandated by the Act and the approved Restructuring Plan for the Companies.

8 **Q. Have you provided proposed tariffs that reflect the rate changes described**
9 **above?**

10 A. Yes, Exhibit COM-HCL-1 and Exhibit CAM-HCL-1 are the redlined versions of
11 the Companies' proposed rate schedules.

12 **Q. Have you provided a summary of the revenues produced by the proposed**
13 **rates?**

14 A. Yes. Page 1 of Exhibit COM-HCL-2 and Exhibit CAM-HCL-2 sets forth a
15 summary of the proposed revenues for each rate class and compares such revenues
16 with the corresponding inflation-adjusted revenues for each rate class. This page
17 also documents the components of the rate schedules that the Companies are
18 proposing to change with this filing. Page 2 of this exhibit sets forth a detailed
19 report of revenue by unbundled rate component for each rate schedule. Page 3
20 sets forth the same information as page 2, except that the information is stated in
21 cents/kilowatt-hour ("kWh").

1 **Q. What changes to the Transition Charges are the Companies proposing as a**
2 **result of reconciliation?**

3 A. In his testimony, Mr. Robinson support Transition Charges for the year 2001 of
4 3.039 cents per kWh for Commonwealth and 1.445 cents/kWh for Cambridge.
5 These charges compare to the current Transition Charges of 2.856 cents/kWh for
6 Commonwealth and 0.294 cents/kWh for Cambridge. The initial Transition
7 Charges included in the Companies' Plan approved by the Department were 4.08
8 cents per kWh for Commonwealth and 2.73 cents per kWh for Cambridge.

9 **Q. How have you reflected the change to Transition Charges in Commonwealth**
10 **and Cambridge's rates?**

11 A. The Companies assign their respective average Transition Charge rate to each rate
12 class. The actual transition charges appearing in the Companies' rate schedules
13 may be stated in \$/kWh or \$/kW depending on the particular rate schedule. Also,
14 the transition charges listed for certain energy and Time-of-Use ("TOU") usage
15 blocks may also differ from the average rate. However, the average Transition
16 Charge calculated over all the transition charge components of an individual rate
17 schedule equals that Company's average Transition Charge rate. This is
18 illustrated by the information provided on Page 3 of Exhibit COM-HCL-2 and
19 Exhibit CAM-HCL-2.

20 **Q. What rate changes are proposed for Transmission rates?**

21 A. The Transmission rate adjustments for Commonwealth and Cambridge are 0.258
22 cents per kWh and 0.663 cents per kWh, respectively. In those rate schedules

1 where the existing transmission charge is stated as a per kWh energy charge, the
2 indicated adjustment is made directly to such charge. In rate schedules where the
3 transmission charge is stated as a per kW or per kVA demand charge, the
4 transmission charge adjustment is converted to a per kW or per kVA charge and
5 applied to the existing charge.

6 **Q. How have you developed the Transmission rate adjustments?**

7 A. The Transmission rate adjustments are developed by comparing the currently
8 proposed transmission rates as supported by Mr. Robinson with the rates in effect
9 during the year 2000. The proposed rates for 2001 are 0.726 cents/kWh and 1.442
10 cents/kWh for Commonwealth and Cambridge, respectively. The current rates in
11 effect for the year 2000 are 0.468 cents/kWh and 0.779 cents/kWh for
12 Commonwealth and Cambridge, respectively.

13 **Q. What changes are the Companies proposing for Energy Efficiency and**
14 **Renewable Energy Charges?**

15 A. The mandated changes to the Energy Efficiency and Renewable Energy Charges
16 are \$0.00270/kWh and \$0.00100/kWh, respectively, which will become effective
17 on January 1, 2001, as contained in the Companies' Restructuring Plan and the
18 Act.

19 **Q. Why are you proposing changes for distribution rates?**

20 A. In accordance with the Act and the Companies' Restructuring Plan, beginning
21 September 1, 1999, the Companies were required to implement a 15 percent
22 reduction from the Companies' undiscounted, August 1997 rates for retail

1 customers taking Standard Offer Service. On August 19, 1999, the Department
2 informed the Companies by letter how rates should be designed to ensure that the
3 legislative mandate was followed. The Department issued further directives
4 regarding rate design and the determination of inflation factors on December 17,
5 1999 and also during discussions with the Companies related to their compliance
6 filings for January 1, 2000 rates. In essence, the rate-design directives require that
7 (1) all distribution rates remain at levels no greater than the levels that existed on
8 March 1, 1998; (2) the transition charges collected from each rate class reflect a
9 uniform rate per kWh; and (3) individual rate components (that is: \$/bill, \$/kW
10 and \$/kWh) should reflect no less than a 14 percent reduction from inflation-
11 adjusted rates. As a result of complying with these rate-design constraints, the
12 Companies were forced to reduce certain distribution charges for some of their
13 rate schedules. Consequently, the Companies rates are not able to recover the
14 level of distribution revenue allowed in their Restructuring Plan. The level of
15 distribution revenues not recovered is set forth on Page 4 of Exhibit COM-HCL-2
16 and Exhibit CAM-HCL-2.

17 **Q. Have you calculated the level of distribution revenues not recovered by the**
18 **proposed rates?**

19 A. Yes. The level of distribution revenues not recovered is set forth on Page 4 of
20 Exhibit COM-HCL-2 and Exhibit CAM-HCL-2. The Companies believes that the
21 non-recovery of such distribution revenue conflicts with the rate-design goals that
22 were inherent in the unbundling of rates approved by the Department as part of the

1 Companies Restructuring Plan in D.P.U./D.T.E. 97-65 and D.P.U./D.T.E. 97-111.
2 That Restructuring proceeding explicitly allowed restructured rates to be revenue
3 neutral with regard to the collection of distribution revenues. Accordingly, the
4 Companies will seek to recover lost distribution revenue through their transition
5 costs recovery mechanism.

6 **Q. Have the Companies provided an exhibit setting forth the design of rates that**
7 **implement the proposed changes described above?**

8 A. Yes. Exhibit COM-HCL-3 and Exhibit CAM-HCL-3 set forth, respectively, the
9 Commonwealth and Cambridge rate-design models and revenue proofs for each
10 of their proposed rates.

11 **Q. Have the Companies demonstrated their compliance with the inflation-**
12 **adjusted 15 percent rate reduction?**

13 A. Yes. Page 1 of Exhibit COM-HCL-2 and Exhibit CAM-HCL-2 demonstrates at
14 the rate schedule level that the 15 percent reduction is achieved for each of the
15 Companies' rate classes. In addition, Exhibit COM-HCL-4 and Exhibit CAM-
16 HCL-4 demonstrate that each rate component provides at least a 14 percent
17 reduction over the inflation-adjusted, rate levels before industry restructuring.
18 Since each rate component reflects at least the minimum required rate reduction,
19 every calculated bill will also reflect, at a minimum, the required rate reduction.

1 **Q. What inflation data have the Companies used to compute the inflation**
2 **adjustment?**

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4 A. The inflation adjustment is set forth in Exhibit COM-HCL-6 and Exhibit CAM-
5 HCL-6. The adjustment, which is identical for each Company, is computed using
6 the Consumer Price Index for all Urban Consumers (“CPI-U”). Consistent with
7 the Department’s directives, the inflation factor is calculated through June 30,
8 2001. Data through September 30, 2000 reflect actual inflation data derived from
9 the CPI-U published by the United States Bureau of Labor Statistics. Inflation
10 data for the period October 2000 through June 2001 are projected based on the
11 average inflation rate measured over the most recent 12 months of actual data.

12 **Q. Have you prepared typical bill analyses demonstrating the impact on**
13 **customers’ bills at various usage levels?**

14 A. Yes, Exhibit COM-HCL-7 and Exhibit CAM-HCL-7 set forth the typical bill
15 analyses by rate schedule for Commonwealth and Cambridge, respectively.

16 **Q. Does this conclude your testimony?**

17 A. Yes, it does.
18